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SUBJECT: DOMINICAN REPUBLIC CELEBRATES UPGRADE TO CATEGORY
I FOR AIR SAFETY

¶1. (U) In a ceremony at the Presidential Palace on July 2, the Charge d'Affaires presented President Leonel Fernandez and the Director of the Dominican Civil Aviation Institute (IDAC) with a letter officially notifying the Dominican Government that its aviation safety rating has been elevated to Category I. The country had languished in Category II status for the past 14 years, since the FAA first began publicizing its evaluations of countries' compliance with the standards. The upgrade means that Dominican commercial airliners may now operate directly to U.S. airports as well as enter into code-share agreements with U.S. carriers. The news has been met with elation by Dominican government officials and private business groups, particularly those interested in expanding tourism opportunities.

What is Category I?

¶2. (U) As a result of pressure from the U.S. Congress to improve the airline safety of foreign air carriers operating in the U.S., in 1992 the FAA instituted an International Aviation Safety Assessment (IASA) review process of governments' efforts to provide technical oversight of their airline industries. The assessment is intended to measure countries' abilities to meet the ICAO's standards and recommended practices and results in a public appraisal of government civil aviation authorities. The assessment places countries in one of two categories, with Category I representing a passing grade on airline safety.

Will Category I Generate Economic Benefits?

¶3. (SBU) There is general consensus that the Dominican Republic's upgrading will have some economic benefit. However, the depth and sustainability of this benefit are both debatable. First, the designation as a Category I country will last for just two years before the country is reevaluated. This means its compliance is dependent upon a sustained commitment by IDAC to train personnel and maintain its oversight functions. In a positive sign, IDAC has requested ongoing technical assistance from the FAA to help it meet this goal. A team of FAA inspectors will be visiting the Dominican Republic on a monthly basis over the course of the next two years. However, Melvin Cintron, the FAA's Division Manager for International Policy and Programs, confided to officials of IDAC following the announcement ceremony, that the elevation of the Dominican Republic's rating was a borderline decision and that they would need to improve over the course of the coming years in order to maintain this rating.

¶4. (SBU) Cintron told the Deputy Director of IDAC explicitly that IDAC's staff lacks experience. The

official assessment, as written in the diplomatic note sent to the Secretary of State for Foreign Relations on July 2, also stated, "Though surveillance is being conducted, IDAC inspectors do not yet have the depth of experience necessary to discover all areas of noncompliance. IDAC inspectors both operations and airworthiness need more time and experience." Mr. Cintron informed IDAC that he preferred that the Dominican government acquire this experience under Category I, but emphasized the hurdles to be overcome over the next two years if they hope to maintain their newfound rating.

15. (SBU) Second, there are serious questions about the commercial viability of the establishment of a national airline or any large-scale commercial airline development. Andrew O'Brian, the Operations Manager for Aerodom, which is the airport concession holder for all but three of the airports in the country, including Las Americas airport in Santo Domingo, expressed skepticism to Econoff that Category I would have much economic benefit. O'Brian estimated that the principal economic benefit from Category I would be from the development of small-scale air carriers, operating primarily charter flights to nearby destinations within the United States and its territories, including Puerto Rico and the Virgin Islands. He said that the establishment of a national Dominican airline has more to do with national pride than sound business planning.

16. (SBU) Santiago Rosa, Director of Air Navigation Services for IDAC, told Econoff that he's unaware of any specific proposals from Dominican carriers to fly to the United States., but estimated that two to three small carriers will begin operations eventually. In support of Mr. O'Brian's analysis, three small scale air carriers have already contacted the FAA with proposals to operate a

minimal number of flights between the Dominican Republic and the United States. (Note: Destinations and frequency of flights are to be determined in the review of these applications.) In addition to the economic benefit of initiating direct flights, another potential economic consequence of the country's attainment of Category I is the possible relocation of a few very small U.S. air carriers' headquarters from the United States to the Dominican Republic in an effort to save costs. While no specific examples are at hand, officials from IDAC and the FAA both agreed that this is likely to happen, particularly if the Dominican Republic can maintain its Category I status after the next review in two years.

17. (SBU) Comment: It is clear from the elated atmosphere of the ceremony at the presidential palace and the week-long series of celebratory events that the attainment of Category I represents a tremendous boost to the morale of the Dominican government, in particular that of the staff of IDAC. Secretary of Economy, Planning and Development Juan Temistocles Montas was so elated at a gala dinner to commemorate the achievement that he used the occasion to make a strident political speech asserting that only the ruling Democratic Liberation Party and President Fernandez could have accomplished this feat. Despite the elation and political posturing no clear plans have emerged for how the government or the private sector will take full advantage of this opportunity outside the discussion of the establishment of a national airline.

BULLEN